

**Management Advisory Report:
The Internal Revenue Service Does Not
Yet Have a System That Integrates All
Taxpayer Complaints**

September 2002

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 24, 2002

MEMORANDUM FOR DIRECTOR, COMMISSIONER'S COMPLAINT PROCESSING
AND ANALYSIS GROUP

FROM: Pamela J. Gardiner
Acting Inspector General

SUBJECT: Final Management Advisory Report: The Internal Revenue
Service Does Not Yet Have a System That Integrates All
Taxpayer Complaints (Audit # 200210029)

This report presents the results of our Fiscal Year 2002 review of the Internal Revenue Service's (IRS) taxpayer complaint reporting process. The overall objective of this review was to evaluate IRS management's current plans for identifying taxpayer complaints as required by the 26 U.S.C. Section (§) 7803(d)(2)(A)(i)(2001) for the Treasury Inspector General for Tax Administration's (TIGTA) Semiannual Report (SAR) to the Congress.

In summary, the IRS uses the Integrated Complaint Tracking and Reporting System (ICTRS) to integrate complaints of employee misconduct from two systems: the Automated Labor and Employee Relations Tracking System (ALERTS) and the Executive Correspondence Management System. IRS management determined that it would not integrate complaints from all other existing systems into the ICTRS. The IRS began reporting complaints only from the ALERTS after the TIGTA requested only the serious employee misconduct information for the TIGTA SAR to the Congress for the period ending March 31, 2001. However, for future SARs to the Congress, the TIGTA has requested all taxpayer complaints in addition to the more serious employee misconduct complaints.

The IRS is not required to have one complaint system that tracks all types of taxpayer complaints, but IRS management informed us that the long-term plans for a proposed system might be able to serve as a solution for tracking general complaints. Until the IRS is able to track and integrate the complaint information from different systems and

eliminate duplicate complaints contained in more than one system, it will not be able to determine the total number of taxpayer complaints received.

Management's Response: IRS management agrees with the facts presented in this report. However, IRS management stated that there is a fundamental disagreement between the IRS and the TIGTA over the scope of the statutory reporting requirement. The IRS' view is that the requirement to report on all taxpayer complaints that appears in 26 U.S.C. 7803(d)(2)(A)(i) applies to taxpayer complaints received by the TIGTA. Management's complete response to the draft report is included as Appendix IV.

Office of Audit Comment: The TIGTA believes that 26 U.S.C. 7803(d)(2)(A)(i) requires the IRS to report to the TIGTA all taxpayer complaints (employee misconduct and general complaints) for the TIGTA SAR to the Congress.

Copies of this report are also being sent to the appropriate IRS managers. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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Have a System That Integrates All Taxpayer Complaints**

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Background

The 26 U.S.C. Section (§) 7803 (d)(2)(A)(2001) requires that the Treasury Inspector General for Tax Administration (TIGTA) include in each TIGTA Semiannual Report (SAR) to the Congress the number of taxpayer complaints received¹ and the number of employee misconduct and taxpayer abuse allegations received by the Internal Revenue Service (IRS) or the TIGTA from taxpayers, IRS employees, and other sources.² The TIGTA requests information from the IRS for each SAR to the Congress.

When this reporting requirement became effective in 1998, the IRS used its existing systems that recorded complaint data to comply with the requirement. However, these existing systems tracked complaints differently and did not use the same definition to identify a taxpayer complaint. As a result, it was difficult to integrate the complaint data or to identify duplicate complaints contained on more than one system.

In Fiscal Year (FY) 2000, the IRS developed short-term and long-term goals for improving its complaint reporting process. At that time, the short-term goal was to develop a computer system to integrate taxpayer complaint data from the existing systems. To help meet the short-term goal, the Commissioner's Complaint Processing and Analysis Group (CCPAG)³ began coordinating the development of the Integrated Complaint Tracking and Reporting System (ICTRS). The IRS' long-term goal was to replace the existing complaint systems with a centralized complaint tracking system as part of the IRS' business modernization efforts.

In November 2001, the Director, CCPAG met with the TIGTA to discuss the types of taxpayer complaints that

¹ 26 U.S.C. § 7803 (d)(2)(A)(i).

² 26 U.S.C. § 7803 (d)(2)(A)(ii).

³ In April 1999, the IRS Commissioner established the CCPAG to identify, manage, track, and analyze complaints and referrals received by the IRS Commissioner's office. The CCPAG is also responsible for providing the TIGTA with the total number of taxpayer complaints and allegations of employee misconduct received by the IRS for inclusion in the TIGTA SAR to the Congress.

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should be included in the TIGTA SAR to the Congress. At that time, no change was made to the prior agreement to report only serious employee misconduct complaints recorded on the Automated Labor and Employee Relations Tracking System (ALERTS). However, the TIGTA recently determined that, to comply with the 26 U.S.C. 7803(d)(2)(A)(i), all taxpayer complaints received by both the IRS and the TIGTA should be reported in the TIGTA SAR to the Congress. As a result, the TIGTA has requested all taxpayer complaints in addition to the more serious employee misconduct complaints for future SARs to the Congress.

The audit was conducted between May 2002 and September 2002 in accordance with the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*. We performed limited audit work at the IRS' National Headquarters in the Offices of the Deputy Commissioner, the CCPAG, the Taxpayer Advocate Service (TAS), and the TIGTA Office of Investigations. We limited our review to the IRS' plans for tracking all taxpayer complaints and did not review the system that tracks employee misconduct and/or taxpayer abuse allegations. This system will be reviewed in a future TIGTA audit. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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The CCPAG has continued to develop the ICTRS, but IRS management has determined that the ICTRS would not integrate complaints from all existing systems. The IRS began reporting complaints only from the ALERTS after the TIGTA requested only the serious employee misconduct information for the TIGTA SAR to the Congress for the period October 1, 2000, through March 31, 2001.

In addition, due to budgetary constraints, the IRS revised its long-term plans to develop a Service-wide centralized complaint tracking system. The current long-term plans are to develop a business case in the Office of the TAS for a new system to manage their case inventory. IRS management stated that the proposed system might be able to also measure taxpayer dissatisfaction and serve as a

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solution for tracking general complaints (e.g., the inability for taxpayers to receive timely information under the Freedom of Information Act, or difficulties in resolving enforcement actions when the IRS posts payments to an incorrect taxpayer's account or tax year).

In addition, IRS management believes that they only have the responsibility to report complaints of employee misconduct required by the 26 U.S.C. 7803(d)(2)(A)(ii) and not the more general complaints required under the 26 U.S.C. 7803(d)(2)(A)(i). The TIGTA believes that IRS management is responsible for reporting to the TIGTA all taxpayer complaints (employee misconduct and general complaints) for the TIGTA SAR to the Congress.

The Integrated Complaint Tracking and Reporting System's development has continued but will not integrate all complaints

The ICTRS currently integrates IRS employee misconduct complaint data from the following two computer systems.

- **Automated Labor and Employee Relations Tracking System (ALERTS)** tracks a wide range of labor relations activity, including disciplinary actions taken based on IRS employee serious misconduct or performance problems.
- **Executive Correspondence Management System (ECMS)** contains a wide variety of correspondence received by the IRS Commissioner's office. The CCPAG uses the ECMS to track employee related complaints received by the CCPAG or by the IRS Commissioner and the resolution of these complaints.

Future development of the ICTRS will include consolidating information on formal Equal Employment Opportunity complaints maintained on the Department of the Treasury Complaint Tracking System (CTS). The ICTRS upgrade will provide for an increased number of system users, additional user locations, direct data input, better case tracking capabilities, and an interface with the CTS. The upgrade is scheduled for implementation in FY 2003. However, there are no plans to integrate complaints received by the TAS office, or complaints that

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may be received and handled by IRS managers and never controlled on any system. Until the IRS is able to track and integrate the complaint information from different systems and eliminate duplicate complaints contained in more than one system, it will not be able to determine the total number of taxpayer complaints received.

The IRS is developing a business case to replace the Taxpayer Advocate Management Information System

The IRS' response to the 2001 audit⁴ stated that Tax Administration Vision and Strategy teams were working to create a long-term vision of tax administration processes based on customer needs. One of the teams was working on the Integrated Complaints Environment (ICE), which was to be developed as a single system for managing all taxpayer complaints and used by many of the organizations within the IRS. However, in December 2001, the IRS Commissioner determined that managing complaints via the ICE under the Business System Modernization Efforts was not feasible, due to budgetary constraints.

Instead, the current vision is to replace the Taxpayer Advocate Management Information System (TAMIS)⁵ with a case management system that will track and document cases worked by the TAS office. IRS management estimates that the TAS office resolves over 300,000 general taxpayer complaints each year. A business case, including a cost/benefit analysis and identification of system requirements, is being developed to assist IRS management's determination about the feasibility of the project.

According to IRS management, if the business case were approved, the new system would also serve as a prototype to measure taxpayers' dissatisfaction in resolving problems with the IRS. In addition, since the TAS is the main office

⁴ *Providing Incomplete Taxpayer Complaint Information Increases the Risk That Statutory Reporting Requirements Are Not Met* (Reference Number 2001-10-186, dated September 2001).

⁵ The Taxpayer Advocate Service Office uses the TAMIS as an inventory control system and to identify systemic and procedural problems.

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that taxpayers contact with their complaints, the new system will also help the IRS better understand the types of complaints taxpayers are making.

Although the IRS is not required to have one complaint system that tracks all types of taxpayer complaints, IRS management informed us that if the new system is successful in the TAS, the IRS may consider expanding it to the IRS' other business units. This expansion could significantly increase the amount of information available to measure customer dissatisfaction and also record taxpayer complaints that are currently not tracked on the ALERTS or on any other system (e.g., complaints that are handled by the employee's manager and not referred for Labor Relations assistance).

Management's Response: IRS management agrees with the facts presented in this report. However, IRS management stated that there is a fundamental disagreement between the IRS and the TIGTA over the scope of the statutory reporting requirement. The IRS' view is that the requirement to report on all taxpayer complaints that appears in 26 U.S.C. 7803(d)(2)(A)(i) applies to taxpayer complaints received by the TIGTA.

Office of Audit Comment: The TIGTA believes that 26 U.S.C. 7803(d)(2)(A)(i) requires the IRS to report to the TIGTA all taxpayer complaints (employee misconduct and general complaints) for the TIGTA SAR to the Congress.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to evaluate Internal Revenue Service (IRS) management's current plans for identifying taxpayer complaints as required by the 26 U.S.C. Section (§) 7803 (d)(2)(A)(i)(2001) for the Treasury Inspector General for Tax Administration (TIGTA) Semiannual Report (SAR) to the Congress. We performed the following work.

- I. Determined if the taxpayer complaints reported by the TIGTA Office of Investigation (OI) and the IRS complied with the 26 U.S.C. § 7803 (d)(2)(A)(i)(2001).
 - A. Interviewed the TIGTA OI and IRS management to determine if there was an agreement on the definition of taxpayer complaints.
 - B. Interviewed the Commissioner's Complaint Processing and Analysis Group (CCPAG) and TIGTA OI managers to identify the types of taxpayer complaints (general versus misconduct) that they agreed to include in the TIGTA SAR to the Congress.
 - C. Interviewed IRS management to determine the source of taxpayer complaints identified for the TIGTA SAR to the Congress.
- II. Determined the status of the implementation of the Integrated Complaint Tracking and Reporting System (ICTRS) and if it contained taxpayer complaint information that complies with the 26 U.S.C. § 7803 (d)(2)(A)(i)(2001).
 - A. Interviewed CCPAG managers and reviewed documentation to determine if the ICTRS included taxpayer complaints as agreed with TIGTA OI in test I.B.
 - B. Interviewed CCPAG managers and reviewed documentation to determine if the ICTRS will integrate taxpayer complaint data from all existing systems where taxpayer complaint information is recorded.
- III. Determined the current status of the planning and design of the system that the IRS was considering for the future (long-term plan) to comply with the 26 U.S.C. § 7803 (d)(2)(A)(i)(2001).
 - A. Interviewed the Assistant Deputy Commissioner, Deputy National Taxpayer Advocate, Director, CCPAG, and other IRS managers to determine the IRS' long-term plans for a complaint management system.
 - B. Reviewed documentation about the IRS' long-term plans for a complaint management system.

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Appendix II

Major Contributors to This Report

Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs)

Nancy A. Nakamura, Director

Gerald T. Hawkins, Audit Manager

Allen L. Brooks, Senior Auditor

Deadra M. English, Senior Auditor

Julia M. Collins, Auditor

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Appendix III

Report Distribution List

Commissioner N:C
Deputy Commissioner N:DC
Assistant Deputy Commissioner N:ADC
Deputy Inspector General for Investigations IG:I
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M

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Appendix IV

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

September 19, 2002

MEMORANDUM FOR PAMELA J. GARDINER
(ACTING) INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM: Stephen A. Whitlock 
Director, Commissioner's Complaint Processing and Analysis
Group

SUBJECT: Final Management Advisory Report: The Internal Revenue
Service Does Not Yet Have a System That Integrates All
Taxpayer Complaints (Audit # 200210029)

I have reviewed the above referenced management advisory report, and I believe it is generally accurate. In particular, it accurately describes the fundamental disagreement between the IRS and TIGTA over the scope of the statutory reporting requirement.

Our view, which is supported by the Office of Chief Counsel, is that the requirement to report on all taxpayer complaints that appears in 26 U.S.C. Section (§) 7803(d)(2)(A)(i) applies to taxpayer complaints received by TIGTA. The IRS reports directly to Congress on a number of measures of taxpayer dissatisfaction, such as data provided by the National Taxpayer Advocate and performance data (wait times and call response accuracy) for the toll free taxpayer assistance phone lines. Thus, Congress already has substantial amounts of IRS information about taxpayer complaints and other indications of dissatisfaction.

We believe the reporting requirement imposed on TIGTA was intended to capture data on taxpayer complaints that would not otherwise be included in reports to Congress—those received by TIGTA. Where Congress clearly intended to include IRS data in the TIGTA reporting requirement, it did so with explicit language in the law.